

FY23 Budget Presentation 8/17/22

Presented by:

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Springfield Hospital

Where People Come First

FRAGILE – YET PERSERVERING – IN A WORLD OF CHAOS



Hospital Margins Still Red Halfway Through 2022

- Kaufman Hall

**The annual inflation rate in
the US accelerated to 9.1%
in June 2022, the highest
since November of 1981...**

- Trading Economics July '22

**Median Change in
Operating Margin down
49.3% from June 2021**

- Kaufman Hall

**Hospital Workforce Shortage
Crisis Demands Immediate Action**

- Rick Pollack, American Hospital Association

**Nearly Half of CFOs and
Rev Cycle VPs said their
organizations are
behind 2022 Revenue
Goals**

- RevCycle Intelligence July '22



INTRODUCTION/OVERVIEW

- ▶ Springfield Hospital – Critical Access Hospital
- ▶ 25 Acute/Swing Beds, 10 Mental Health Beds
- ▶ Inpatient Average Daily Census:
8.5 Acute - 1.2 Swing - 7.4 Mental Health
- ▶ ED Visits 8,600 Average - 35.4 per day (5/2022)
- ▶ 1,300 Surgery Volume (5/2022 - includes Endoscopy)
- ▶ Specialty Clinic Visits 11,400 (5/2022 – excludes ancillaries)
- ▶ 390 Employees
- ▶ Economic Value to the Community/Region





UNPRECEDENTED WORKFORCE CHALLENGES

- ▶ FY22 Traveler Cost Projected \$4M vs. FY21 Actual \$1.9M
- ▶ Extraordinary Increases in Traveler Rates - Doubled
- ▶ Total Vacancy - 52 Positions
- ▶ Investment and Efforts to Date
 - Budgeted 2% COLA
 - Additional Training / Workforce Development / Recruitment
 - Premium Per Diem Program to Reduce Traveler Expenses
 - Extra Hours Bonus Program to Help Fill Vacancies





AGING INFRASTRUCTURE

- ▶ Springfield Hospital - 2nd oldest Age of Plant in VT - 20.9 years
- ▶ Statewide Age of Plant - ranges from 8.4 yrs – 21.8 years
- ▶ CAH National Median Age of Plant – 12.3 years
- ▶ \$1.5M budgeted for priority capital investment in FY23



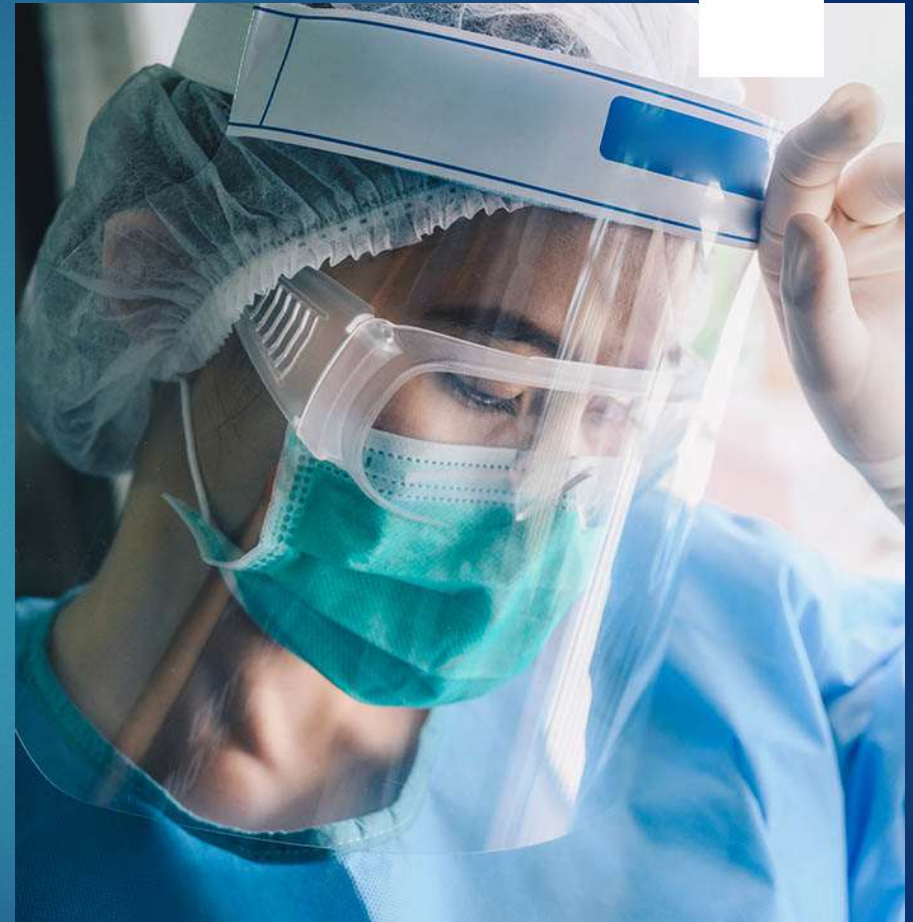
STRESSED HEALTHCARE ENVIRONMENT

- ▶ ED Boarding Patients:
 - Some patients board for many months, which are non-reimbursed.
 - The Windham Center for Inpatient Psychiatric Care is helpful for mental health patients, but placement remains challenging.
- ▶ Inpatient Post-Acute placement remains challenging
- ▶ Bed Capacity Exists – Working on appropriate swing bed referrals
- ▶ Staff covering EMS transport due to lack of EMS staff.



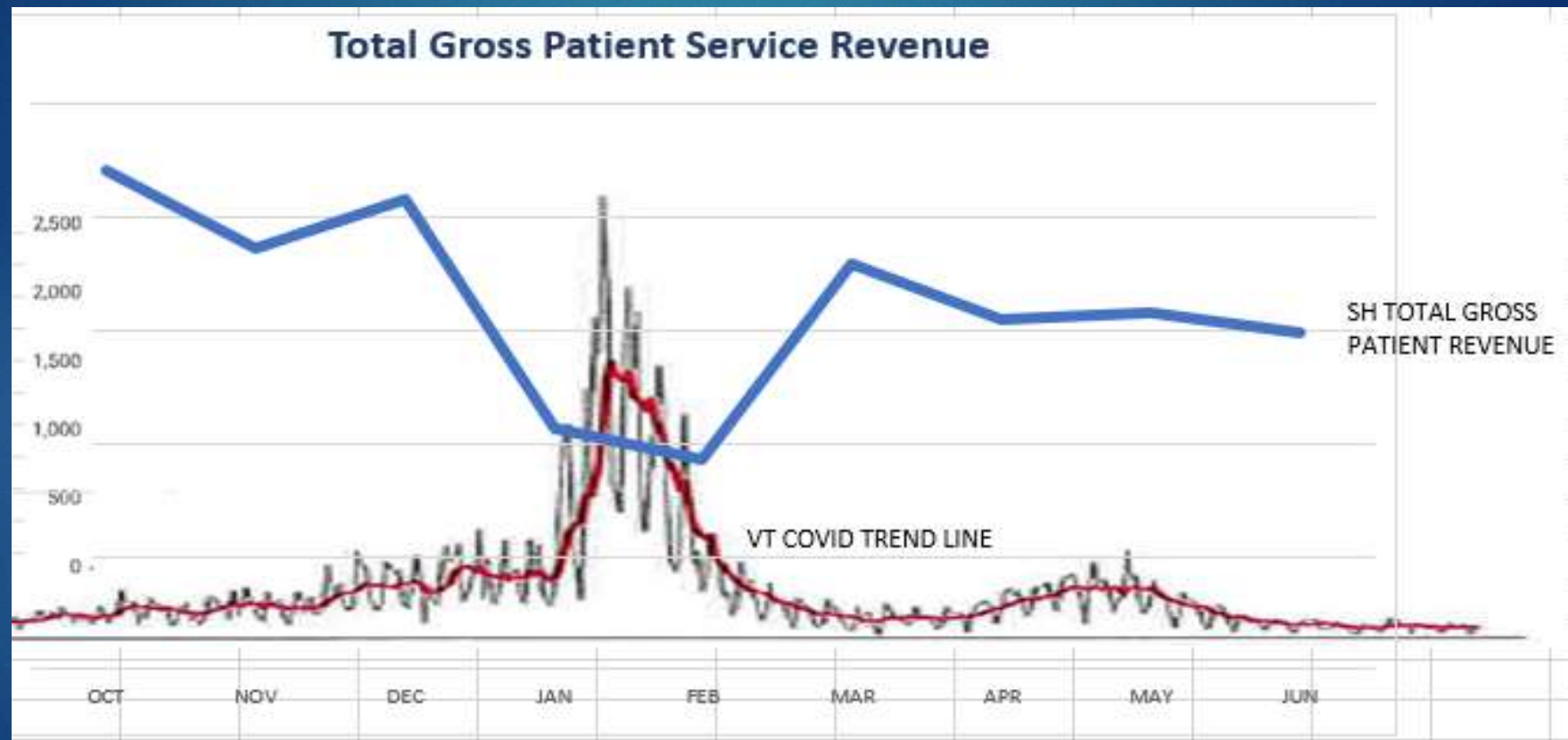
MAJOR CHALLENGES

- ▶ Poor Payer Mix/Reimbursement
- ▶ RN Union Vote, Negotiations Ongoing
- ▶ Chapter 11 Restructure w/SMCS-FQHC
SMCS no longer the parent company
- ▶ Workforce Shortages/Travelers
- ▶ Supply Chain Shortages
- ▶ Inflation and Rising Costs
- ▶ Omicron and Delta Variants





COVID IMPACT ON VOLUME





OPERATIONAL CHANGES

- ▶ Ongoing Relationship with FQHC Network
 - SMCS now known as North Star Health
- ▶ Marketplace Collaboration
 - DHMC - Radiology / UVM - Pathology
- ▶ New Podiatry Service - Expanding
- ▶ Urology Service - Expanding
- ▶ New full-time Gynecology provider
- ▶ Pain Management – September '22 Startup

DHMC
Radiology, Oncology

DHMC & UVM
Tertiary Care

UVM
Pathology



BLUEWATER HEALTH
Emergency/Hospitalist

CHESHIRE MEDICAL CTR
Cardiology

BRATTLEBORO MEMORIAL
Obstetrics

SERVICE LINE CHANGES

UROLOGY

PODIATRY

GYNECOLOGY

PAIN CLINIC



OPERATIONAL CHANGES (continued)

- ▶ The Windham Center for Psychiatric Care provider model restructured
- ▶ Windham '22 utilization reduced due to staffing issues related to COVID
- ▶ Windham limited to COVID patients in '20 through March '21. Now fully operational.
- ▶ Oncology – Reduced to telemedicine – collaborating with DHMC



The Windham Center

A DEPARTMENT OF SPRINGFIELD HOSPITAL

Where People Come First

RESILIENT CRITICAL ACCESS HOSPITAL IN A FRAGILE FINANCIAL POSITION

- ▶ FY22 Projected Operating Margin: 0.5%
- ▶ FY22 Projected Operating Income: \$312,000 (5/22)
- ▶ Includes Grant Funding:
 - ARPA, PRF - \$2.5 (Received 2021)
 - USDA - \$1M (Received May 2022)
 - Adult Day Grant – State grant funding support for limited program capacity due to COVID



FY23 GOALS

- ▶ Financial Stabilization
- ▶ Local & Affordable Access to Healthcare Services
- ▶ Patient and Staff Safety
- ▶ Serving the Community
 - Aging Population
 - Low Income
 - Poor Health Status
 - Rising Substance Misuse/Mental Health Needs



OUR MISSION/VISION REMAINS

- ▶ **Our mission** is to excel at providing personalized, quality care, “Where People Come First.”
- ▶ **Our vision** is to be the provider of choice by creating a professional environment where:
 - Patients want to receive care;
 - Clinicians want to practice medicine; and,
 - Employees want to work.





NET PATIENT REVENUE (NPR) & SUMMARY OF BUDGET REQUEST

FY23 NPR INCREASE REQUEST

FY22 APPROVED BUDGET

\$ 54,689,912

FY22 PROJECTED

\$ 51,720,947

FY23 NPR

\$ 58,778,639

FY22 APPROVED BUDGET: 7.5% NPR INCREASE

FY22 PROJECTED: 13.7% NPR INCREASE

FY23 CHARGE REQUEST 10%



THREE KEY COMPONENTS OF NPR INCREASE

- ▶ Increased utilization in current services
- ▶ Increased utilization from new program initiative
- ▶ Rate increase



FY23 BUDGETED NPR CHANGE

► COMPARED TO FY 22 PROJECTED

(\$ in thousands)

'22 Projected	\$ 51,721
Utilization	4,847
Rate	2,719
DSH/Bad Debt/Charity	<u>(508)</u>
FY23 Budget	58,779

► **NPR Increase** **7,058** **13.7%**

► COMPARED TO FY22 APPROVED BUDGET

(\$ in thousands)

'22 Budget	\$ 54,690
Utilization	1,947
Rate	2,848
DSH/Bad Debt/Charity	<u>(706)</u>
FY23 Budget	58,779

► **NPR Increase** **4,089** **7.5%**



NET PATIENT REVENUE (NPR)/ FIXED PROSPECTIVE PAYMENT (FPP)

- ▶ FY23 Incremental changes from FY22 Projected NPR —
 - \$2.7M in rate increase (primarily from Commercial Payers)
 - \$4.8M in utilization increase
 - (\$508k) in DSH/Bad Debt/Free Care



NET PATIENT REVENUE (NPR)/ FIXED PROSPECTIVE PAYMENT (FPP) (continued)

- ▶ FY23 Budgeted NPR incremental changes from FY22 Budgeted NPR
 - \$2.8M in rate increase
 - \$1.9M in utilization increase
 - (\$706K) in DSH/Bad Debt/Free Care
- ▶ Minimal changes in FPP plans as SH is limited to OneCare for Medicaid, Blue Cross and MVP



UTILIZATION CHANGES FROM FY22 PROJECTED

- ▶ **Increased Surgery due to added GYN, Urology, Podiatry**
- ▶ **Increased Inpatient Medical/Surgical and Psychiatry**
- ▶ **Increased Diagnostic Imaging and Physical Therapy**
- ▶ **Increased Emergency Department Visits**
- ▶ **New Pain Management Program**
- ▶ **Decreased Oncology Utilization**

KEY UTILIZATION STATISTICS



	FY21 Actual	FY22 Projected	FY22 Budget	FY23 Budget	FY23 Increase from FY22 Projected	FY23 Increase from FY22 Budget
Admissions						
Medical/Surgical	857	703	882	768	9.3%	-12.9%
Swing	46	62	57	69	12.1%	21.4%
Psychiatric Admissions	160	262	267	301	14.9%	12.9%
Observation	356	353	381	342	-3.2%	-10.2%
Average Daily Census						
Medical/Surgical	8.9	8.5	10.9	9.3	9.6%	-14.6%
Swing	0.9	1.3	1.6	1.4	12.1%	-9.9%
Psychiatric	4.2	7.4	8.1	8.5	14.9%	4.4%
Observation	1.3	1.6	1.6	1.3	-19.1%	-16.4%
Emergency Dept						
Total Visits	11,722	12,648	13,191	12,958	2.4%	-1.8%
Average Daily Visits	32.1	34.7	36.1	35.5	2.4%	-1.8%
Operating Room Cases						
Operating Room	870	927	834	1,068	15.2%	28.1%
Endoscopy	1,092	1,046	1,164	1,050	0.4%	-9.8%



NET PATIENT REVENUE (NPR) BY PAYER (No significant changes)

FY23 Budgeted

Commercial	49%
Medicare	40%
Medicaid	9%
Self Pay / Other	2%

Total	100%
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FY22 Projected

Commercial	48%
Medicare	43%
Medicaid	7%
Self Pay / Other	2%

Total	100%
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FY22 Budgeted

Commercial	45%
Medicare	42%
Medicaid	11%
Self Pay / Other	2%

Total	100%
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NET PATIENT REVENUE (NPR) PAYER ASSUMPTIONS

- ▶ **Methodologies:** Consistent NPR methodologies from year to year
- ▶ **Medicare:** Based on CAH cost-based model
- ▶ **Medicaid:** Assumes 2.7% inflation increase from FY22 projected payments
- ▶ **Commercial:** Based on charges subject to payment limits within individual commercial contracts
- ▶ **Self Pay:** Based on charges, subject to FAP (financial assistance policy), bad debt and charity based on current %'s



CHARGE REQUEST

8.3%

FY22 Approved

10%

FY23 Request



ADJUSTMENTS

Reference Utilization Changes from FY22 Projected

- ▶ Launch of Podiatry Service
 - 10/21 - 1 day/week
 - 2/22 - 2 days/week
 - 8/22 - 10 days/month
- ▶ General Surgeon – Recruiting one FTE
- ▶ GYN – Transition 2 part time to 1 full time 9/22; recruiting additional clinical support
- ▶ Urology – Physician coverage expanded
- ▶ Pain Management – New service



OTHER OPERATING & NON OPERATING REVENUE

- ▶ Increase \$391K from FY22 Budget
- ▶ Decrease approximately \$3M from FY22 Projected
- ▶ Other Operating Revenue
 - Adult Day Program
 - Master Shared Services Agreement with North Star Health
 - Grant Revenue
 - Provider Relief Funding - \$300K carryforward from '21
- ▶ No significant Non-Operating items budgeted for FY23



OPERATING EXPENSES (vs. FY22 Projected)

- ▶ Increase of \$2.6M (4.5%)
- ▶ Inflation – 5.5% inflation increase for supplies, drugs, outside services, utilities
- ▶ Salaries and wages increase \$2.2M (12%)
 - FTEs for unfilled FY22 budgeted positions, reducing travelers
 - 2% COLA in December
 - Market adjustments
 - New staff positions in areas to support volume growth
- ▶ Travelers – decrease from current year \$1.1M (28.9%)
- ▶ Employee benefits – increase \$481K (10.6%)



OPERATING EXPENSES (vs. FY22 Projected) (continued)

- ▶ **Medical Supplies \$321K (16.3%) – tied to volume increases and inflation**
- ▶ **Other Purchased Services \$221K (7.2%)**
 - Security, reference lab, diagnostic imaging, plus inflation)
- ▶ **Drugs – Decrease \$509K (–25.4%) – Reduction of oncology utilization**
- ▶ **Recruiting and Advertising \$295K (39%) – Increased marketing efforts**



OPERATING EXPENSES (vs. FY22 Budget)

- ▶ Increase of \$4.8M (8.8%)
- ▶ Includes the same increases vs. FY22 projected
(Wages, inflation, volume related, etc.)
- ▶ Largest budget-to-budget increase due to FY22 grossly underbudgeted for travelers
- ▶ Provider tax increase tied to NPR increase



FY23 OPERATING MARGIN

- ▶ Budget operating margin of \$1.7 million (2.8%)
- ▶ Cover projected expenses, plus meet:
 - principal debt payments
 - invest in high priority capital improvements
 - make required annual contributions to frozen defined benefit plan
- ▶ Stabilization and recovery period
 - maintain and protect balance sheet and cash reserves



OPERATING MARGIN

The FY23 budget, supported by the 10% charge increase, is a needs-based budget, and only projects the Hospital to maintain its cash reserves with minimal growth.



INCOME STATEMENT

	FY21 ACTUAL \$ in thousands	FY22 PROJECTED \$ in thousands	FY22 BUDGET \$ in thousands	FY23 BUDGET \$ in thousands
Total Gross Patient Service Revenue	104,813	115,621	120,058	132,901
Net Patient Service Revenue	50,589	51,721	54,690	58,779
Other Operating Revenue	4,026	5,919	2,455	2,846
Total Operating Revenue	54,615	57,640	57,144	61,625
Total Operating Expenses	53,975	57,327	55,044	59,888
Operating Income (Loss)	640	312	2,101	1,737
Operating Margin %	1.2%	0.5%	3.7%	2.8%



EBITDA & CASH FLOW

► EBITDA

Operating Income	\$1,737,412
Add Depreciation & Interest	<u>1,404,750</u>

► EBITDA TOTAL 3,142,162

Debt Payments	(1,050,000)
Pension Expenses Funding	(450,000)
Capital Purchases	<u>(1,500,000)</u>

► NET CASH FLOW \$ 142,162



DAYS CASH ON HAND

- ▶ 2019 17
 - ▶ 2020 48 includes CARES Act funding of \$5.4M
 - ▶ 2021 43
 - ▶ 2022 Projected 44 includes Provider Relief/ARPA funding of \$2.8M
 - ▶ 2023 Budget 42
-
- ▶ Springfield Hospital has the lowest cash reserves in the State – a more fragile position due to Chapter 11. (VT Digger-3/28/22)
 - ▶ Data shows more than half of VT hospitals had more than 6 months reserves. (American Hospital Directory – 9/30/21)
 - ▶ SH cash reserves are minimal, with no rainy day cushion.
 - ▶ **The 10% rate increase is crucial to stability & sustainability.**



DIVERSITY, EQUITY & INCLUSION

► DEI Committee (September 2022)

- Develop DEI strategies and best practices regarding racial, social, sexual, and gender diversity.
- Organization-wide education and promotion of DEI strategies implemented in '22 for all employees and will continue in '23.

► Springfield Health Equity Initiative

- Participate in new Community Health Equity Partnership (CHEP) for Springfield Health District, assist VDH to meet goals of CDC Grant to address health disparities.



WAIT TIMES

- ▶ Wait time study conducted first two weeks of June.
- ▶ Majority of specialty practices saw patients within 2 weeks of schedule date.
- ▶ Podiatry scheduled within 3 months. Service now has expanded availability.
- ▶ Cardiology – scheduled within 3 months. This service has limited availability - a collaborative effort with Cheshire Medical Center.



RISKS AND OPPORTUNITIES

- ▶ Continued Shortage of Skilled Healthcare Professionals and Staff
- ▶ Rising Labor Costs
- ▶ COVID-19 Uncertainty and Volume Impact
- ▶ Inflation
- ▶ Supply Chain Disruption
- ▶ Opportunities:
Revenue Cycle, Travelers, New Services,
Strategic Planning Initiatives



STRATEGIC PLANNING



- ▶ Our process involved staff, medical staff, senior management, Board of Directors and QHR Health consultants
- ▶ Identified three key areas of focus
 - Stabilize our finances and processes
 - Identify and invest in core services
 - Develop our people and culture
- ▶ Align with 2022 Needs Assessment





VALUE-BASED CARE PARTICIPATION

Springfield Hospital Participates with All Payers Except Medicare

Any Value-Based Care design must:

- ▶ **Support positive cash, operating and capital plans for ongoing stability and sustainability.**
- ▶ **Demonstrate administrative efficiency and ample participant funding.**



CAPITAL INVESTMENT PLANS

Project Description	Estimated Cost
▶ 1. Nuclear Medicine renovation suite to house new NM/CT Unit	\$ 415,000
▶ 2. C-Arm OR	185,000
▶ 3. Blood Culture Analyzer Lab	37,000
▶ 4. Chemistry Analyzer Lab	90,000
▶ 5. IV Pumps Med/Surg	200,000
▶ 6. Nurse Call System Med/Surg	300,000
▶ 7. Miscellaneous Clinical Equip. Med/Surg	273,000
TOTAL	\$1,500,000



SUPPLEMENTAL DATA MONITORING

- ▶ Decrease in market share experienced since early 2019
 - Coincides with Chapter 11 announcement and poor public relations
 - The Childbirth Center closed in May 2019, decreasing inpatient numbers
 - The Windham Center closed temporarily for renovations – reducing utilization
 - The Windham Center accepted COVID-only psychiatric patients from mid 2020-21
 - Overall impact of COVID (including staffing shortages) on utilization
 - FQHC decline in patient visits reduced our volume
 - Change in Emergency Department providers impacted NPR



SUPPLEMENTAL DATA MONITORING (continued)

- ▶ The market share data provided excludes VT residents seeking care out of state.
- ▶ Specific services numbers are not significant in many areas.
- ▶ Service line changes (Emergency Department, Urology, Obstetrics) may have had impact, but further analysis would be necessary, and numbers are small.
- ▶ Our population is aging and poverty is increasing. These factors generally are indicative of population poor health outcomes generally.



IMPACT OF COVID-19

- ▶ Experienced reduced staffing due to COVID exposure, illness, quarantine
- ▶ The Great Resignation
- ▶ The timing of Delta and Omicron align with decreased utilization
- ▶ Reinforced the value of strong Incident Command
- ▶ Value of relationships with local hospitals, agencies, and State of VT
- ▶ Highlighted vulnerability due to supply chain disruption
- ▶ Unexpected expenses due to COVID and inflation



Working Hard... Making Good Progress!



*“Consider what a long
way you’ve come.”*

— Anonymous